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SEP 13 2004

MEMORANDUM FOR JOINT LOGISTIC BOARD (JLB) MEMBERS

SUBJECT: DoD Logistics Balanced Scorecard (BSC) Monthly Update

The BSC has made great strides in the past month and I would like to share with you the momentum the team continues to build around the performance management process. As always, please feel free to provide us with your feedback to this update.

Recent Progress (August 2004)

- Hosted a cross-process BSC Summit focused on logistics chain metrics versus segmented metrics where the process groups shared initial baseline data and targets;
- Developed initial baseline and targets for "as is" metrics;
- Began to identify champions who can support communication activities around the performance management process throughout the Logistics Domain;
- Continued development of the dashboard to support metric reporting for the process groups, with an anticipated beta release in December.

Timely Topic: Collecting Baseline Data and Introducing BSC Frequently Asked Questions

The Process Groups are making progress in collecting baseline data and recommending targets for their action-oriented metrics. In their first performance management focused Metric Summit, they began to share data across the process groups, determined relevant touchpoints and strategized next steps. They left the day with a sense that the BSC has come a long way in the past year; that information sharing enables an enterprise focus on processes; and that ongoing refinement must be considered a part of the process in order to build a true performance-based culture that can dramatically improve logistics support.


The operating forces will be the beneficiaries in the full implementation of enterprise Logistics-focused performance management. The Process Groups are already beginning to realize the potential benefits of sharing data across the Services, Agencies and Components to make the necessary improvements outlined in our logistics transformation efforts. The BSC provides them a tool to highlight actionable areas of interest and share best practices among process group members. Over time, the focus on a performance management process will enable them to make relevant process transformations to the benefit of our customer, the Warfighter.

Along the path to ingraining performance management, I have heard many questions about the program. In response to these questions, the BSC Team has documented the attached Frequently Asked Questions (FAQs). Please feel free to disseminate the FAQs to people who



ask about the DoD Logistics BSC. The FAQs will be periodically updated and available to you electronically on the Logistics & Materiel Readiness Website, www.acq.osd.mil/log.

Thank you for your continued support of the DoD Logistics BSC.



Bradley Berkson
Principal Assistant

Attachment:
As stated

Frequently Asked Questions about the DoD Logistics Balanced Scorecard (BSC) and Performance Management Program

Sponsorship

- **Who initiated the DoD Logistics BSC and Performance Management Effort?**

The Deputy Under Secretary of Defense (Logistics and Materiel Readiness) (DUSD) (L&MR), initiated the DoD Logistics BSC program in 2002. The DoD Logistics BSC began in response to the significant transformation and modernization efforts in Logistics. In addition, it addresses Management Initiative Directive (MID) 901, which prioritized and defined the importance of performance management activities and alignment with the President's Management Agenda, and advocated use of the balanced scorecard concept as the management framework for the Department of Defense.

The Joint Logistics Board (JLB), comprised of senior logisticians throughout the Military Services, Agencies and Commands, has provided the strategic direction, mission and objectives for the DoD Logistics BSC. The JLB continues to support this critical performance management initiative in the Logistics Domain by providing strategic guidance and oversight of the Program.

The Acting Assistant DUSD (Logistics Systems Management), has been the operational sponsor for executing the JLB recommendations and has engaged the appropriate subject matter experts into the process.

- **Who has developed and provided input into the DoD Logistics BSC and performance management process?**

The JLB set the initial requirements, mission and objectives for the DoD Logistics BSC. Initially, the Change Management Group and BSC Integrated Product Team worked to build momentum and define the high level metrics that would meet the needs of the Department, in terms of accurately measuring logistics performance.

Once agreement was reached, on the high level framework of the Logistics BSC, the DUSD (L&MR) directed the DoD Logistics Process Owners (i.e., Supply Chain Capabilities Group, Total Life Cycle Systems Management, Distribution Transformation Task Force, Joint Deployment Process Owner and the Maintenance Technology Systems Steering Group) to further define meaningful, actionable metrics. Detailed metrics will provide a comprehensive approach to managing the performance of logistics at the enterprise level.

- **What is the role of the Process Owners in the performance management process?**

The Process Teams are vital to transforming and improving logistics processes across the Department of Defense. The Process Owners own performance management efforts specific to their respective processes and recognize that the Logistics performance management initiatives are critical components and enablers of transformational change.

- **Who are the intended users of the BSC?**

The Logistics Process Owners, and the JLB as necessary, will be the primary users of the BSC. The user base may expand over time to include Service, Agency and Command representatives as the performance management process matures throughout the Logistics domain

Performance Management Process

- **Why does OSD want to measure performance management across the Logistics Domain?**

At the OSD level, leadership recognizes that a balanced scorecard provides a comprehensive view of logistics performance across the Department. The BSC will deliver a means to manage investment and risk across the domain so that the logistics community can enhance overall support to the Warfighter, reduce redundancies, and improve productivity. By incorporating performance measures obtained from each Service, Agency and Command, the Logistics BSC will effectively provide a view of the end-to-end logistics chain. Because of the hierarchical relationship between the Logistics BSC and the Service, Agency and Command BSCs, the Logistics BSC will complement the performance views that the individual Service, Agency and Command BSCs will provide. The Process Owners will utilize the lower-level scorecards to 'drill-down' and investigate any anomalies, trends or performance issues that arise. Without a performance management program to track and monitor progress, the transformation efforts are at risk, and progress is not definable.

- **Are performance management and the BSC the same thing?**

Performance management is a conscious approach to management that establishes routine processes for examining performance, identifying trend information and evaluating and addressing critical issues. It links performance to the strategic vision and objectives, and focuses leadership on achievable outcomes. Performance management allows for continuous assessment of effectiveness and enables proactive decision-making.

A balanced scorecard is a tool used to foster the performance management process. It provides a balanced metrics framework to provide visibility into enterprise logistics performance; highlights performance trends and areas for improvement; and allows for quantification of risk trade-offs.

- **Who are the participants in the performance management process?**

The JLB, as the overall enterprise executive board, provides the strategic direction and guidance around critical issues.

The Logistics Process Owners, as the enterprise process owners, define the critical capabilities, identify meaningful and actionable metrics, analyze performance trends, recommend plans of action for improvement, implement improvement initiatives, and raise critical issues to the JLB.

The Services, Agencies and Commands provide data and analysis to their respective Process Owners and implement performance improvement recommendations.

- **How are the Services, Agencies and Commands involved in the performance management process?**

The Services, Agencies and Commands currently have performance management processes in place that enable them to measure performance at the Component level. The Logistics BSC is not intended to replace those processes or measures. In fact, these processes and measures will be used to 'drill-down' into Service, Agency and Command level data if performance issues are identified at the enterprise level. The Services, Agencies and Commands will be able to provide data and analysis to their respective Process Owners and implement performance improvement recommendations.

- **How does performance management fit in with Domain priorities around Logistics Transformation?**

Logistics Transformation is the Logistics Domain's focus on changing the way logistics does business. Performance management is the approach the domain is taking to assess process transformation and trends in the Logistics Domain, and take appropriate action(s) based upon the these performance measures.

- **How will users view the BSC metrics?**

Performance management will continue to evolve with the Logistics Domain. Initially, viewing the data will likely mean reviewing a traditional paper-based report. However, the domain is moving toward an automated tool for collection, display and analysis. The Logistics Domain emphasis on data strategy and enterprise solutions enables the move toward automation.

- **How is OSD getting the data to manage performance?**

Initially, data will be manually collected, with the full intent to automate by leveraging ongoing enterprise modernization capabilities (i.e. ERP, DRRS, AT21).

- **What is the timeline for beginning the performance management process?**

The Logistics Domain is already engaged in the performance management process. The metrics have been defined at the strategic and Process Owner levels, baseline data collection and target setting is in progress, and the first review of trend information will be conducted in early 2005. The initial review of metrics, targets and data will be the September, 2004 JLB meeting.

Other Performance Measurement Initiatives

- How does the DoD Logistics BSC tie in with other BSCs such as the OSD BSC or the Service/Component/Agency level BSCs?

The focus on performance management is occurring throughout the Department. While it is not necessary to have one-to-one relationships between the various efforts, it is essential to frequently communicate and coordinate between efforts to encourage collaboration, leveragability and consistency. The figure below represents the relationship of this hierarchy of scorecards, and shows how the leadership can 'drill-down' into a specific level of scorecard to obtain detailed data relating to specific performance issues.

